

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Crawford County Transportation Authority		County Crawford	
Fiscal Year End 9/30/06		Opinion Date 11/1/06		Date Audit Report Submitted to State 12/18/06			

We affirm that:

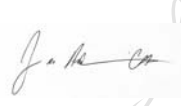
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)		
Financial Statements		<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>			
Other (Describe)		<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.			Telephone Number 989-563-2450		
Street Address P.O. Box 255		City Roscommon		State MI	Zip 48653
Authorizing CPA Signatu 		Printed Name James M. Anderson, CPA		License Number 1101017419	

Digitally signed by James M. Anderson, CPA
DN: cn=James M. Anderson, CPA, o=US, ou=James M. Anderson, P.C., email=jma@m33access.com
Date: 2006.12.18 21:04:08 -05'00'

**CRAWFORD COUNTY
TRANSPORTATION AUTHORITY**

ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2006

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

Board of Directors

Ruth O'Mara

Dennis Long

Lee Riley

Brian Hulbert

Jeannette Kitchen

Fred Schaibley

Lynnette Corlew

Executive Director

Julee K. Dean

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

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CRAWFORD COUNTY TRANSPORTATION AUTHORITY

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James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

INDEPENDENT AUDITOR'S REPORT

November 1, 2006

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

I have audited the accompanying financial statements of the business-type activity and major fund, which collectively comprise the basic financial statements, of the Crawford County Transportation Authority as of and for the year ended September 30, 2006, as listed in the table of contents. These statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

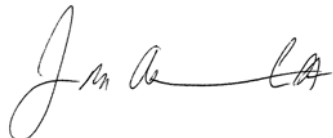
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Crawford County Transportation Authority as of September 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

In Accordance with Governmental Auditing Standards, I have also issued a report dated November 1, 2006, on my consideration of the Crawford County Transportation Authority's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis on pages 3-5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Crawford County Transportation Authority basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "J M Anderson", with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006**

To: The Board of Directors of the Crawford County Transportation Authority (CCTA) and Members of the Public:

This Management discussion and Analysis represents Fiscal Year 2006.

Statistics:

The passenger count for FY2006 was slightly over 105,000 passengers. This represents nearly a 8,300 rise from the previous fiscal year. FY2006 marked some of the best months in passenger counts ever. In both March and May, we recorded over 11,000 passenger pick-ups. Of the 105,000 rides we provided: Senior Citizens represented 8,987 passengers, 16,859 of our passengers were special needs riders, and 4,286 of our riders required a wheelchair lift. This shows how very important our service is to many people in Crawford County.

Our Rural Health runs remained solid throughout the year, with a total of 3,136 hours of non-emergency medical transportation runs taking place. CCTA received several donations to go toward these runs, which are used to transport any people who do not qualify for Human Services aid within Crawford County.

Non-injury Accident:

CCTA was involved in one accident during FY2006. The accident, which occurred on June 20, 2006, involved a CCTA bus and a passenger vehicle. The accident report stated that the driver of the passenger car fell asleep and crossed over the center line, striking our bus in the front on the passenger side. The driver of the bus, as shaken as she was (as viewed by the video tape), followed policy perfectly: i.e. contacting dispatch, requesting a ambulance for the driver of the other vehicle, making sure passengers were all okay, comforting those who were shaken, etc... Because of her attentiveness to her surroundings while driving, she was able to slow the bus down almost to a stop in order to ease the impact of the crash. No serious injuries were reported.

System Issues:

Health Care, Liability Insurance and Fuel Costs:

As in past years, these three issues remain somewhat problematic because of the rising costs involved with each. Both fuel and liability insurance costs fell slightly from last year, but the drop in pricing was so minimal that it did not make any great impact on the bottom line. Management is in the process of getting bids from different health insurance companies which will be taken to the Board prior to the current policy renewal in January 2007.

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006**

Personnel:

Employee turnover still remains relatively low. CCTA lost two employees over the past year, both of which relocated out of the state of Michigan. Two new employees were hired mid-year to fill these vacancies. Three other employees were moved to full-time status, all of which had almost ten years of service to CCTA. These three employees have proven over and over again their commitment to our organization, their willingness to work, and their dedication to the residents of our county. CCTA did have one person retire during FY2006. This individual was an Operations/Maintenance Supervisor with twenty years of service to CCTA. It was decided not to fill the open position at that time, with the understanding that the position will be filled on an as-need basis in the future.

Litigation:

The decision was made by the Crawford County Transportation Authority Board members, along with our Authority attorney to pursue a full refund of the monies paid to Third Coast Software (TCS) for the computer aided dispatch program that was still not complete. Since 2001, CCTA fully funded the venture with no clear resolve as of mid year 2006. CCTA and Third Coast Software reached a court settlement in August whereas TCS will make monthly payments to CCTA for the full refund price plus interest owed.

As of September 30, 2006, CCTA is not involved in any other form of litigation.

Management meetings and speaking engagements:

As CCTA management, I continue to attend the local Crawford County Collaborative Body meetings monthly. Most Human Service agencies in Crawford County attend these meetings. It is the intent of all the agencies in attendance to help better the lives of the less fortunate. For 2007, transportation has been cited as one of the areas that most people using service agencies lack. CCTA is confident that should transportation help be needed, we will be able to step in and commit to help those in need.

I have spoken to various organizations in Crawford County throughout the past year. Many of the residents of the county who do not have a need for transportation services are surprised at the various other services we offer to individuals besides the traditional "dial-a-ride". These organizations include: Methodist Women's Club, Kiwanis, County Men's Club and the women's club of the Eagle's.

**CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2006**

Overall, the organization is running very smoothly and effectively. Employee moral is high, and we continue to have an increase in passenger ride totals each month. We are in need of additional buses: 1) to replace the one involved in the accident, and 2) to help with our increased demand for rides. I have considered increasing the fares to help offset the increase in fuel costs, but the fares collected are such a small part of our revenue, and many of the individuals that we serve now would have a hard time coming up with additional fare money.

It is the goal of Crawford County Transportation Authority to provide the best service to our customers. Many times I have received phone calls from riders letting me know how much they appreciate the services we offer.

Julee K. Dean
Executive Director

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF NET ASSETS
ENTERPRISE FUND
SEPTEMBER 30, 2006

ASSETS

Current Assets:

Cash	\$ 938,173
Investments	420,172
Due from State - MDOT	32,788
Accounts receivable	15,825
Account receivable - other	47,450
Inventories	35,917
Prepaid expenses	<u>51,612</u>

Total Current Assets 1,541,937

Property and equipment,
less accumulated depreciation 615,081

Total Assets 2,157,018

LIABILITIES

Current Liabilities:

Accounts payable	31,421
Accrued liabilities	90,869
Deferred revenue	<u>567</u>

Total Current Liabilities 122,857

NET ASSETS:

Contributed capital	77,114
Invested in capital assets, net of related debt	537,967
Unrestricted	<u>1,419,080</u>

Total Net Assets \$ 2,034,161

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2006

Operating Revenues	
Charges for services	
Fare box and special fares	\$ 223,203
Charter	4,407
Vehicle maintenance	<u>1,351</u>
Total operating revenues	<u>228,961</u>
Operating Expenses	
Salaries and wages	714,522
Fringe benefits	325,723
Materials and supplies	193,338
Services	33,163
Utilities	27,025
Casualty and liability insurance	52,609
Miscellaneous	5,362
Depreciation	<u>210,439</u>
Total operating expenses	<u>1,562,181</u>
Operating income (loss)	<u>(1,333,220)</u>
Non-operating Revenues (expenses)	
Property taxes	366,720
Federal	202,171
State - Demand response	547,281
State and Federal capital grants	15,050
Interest/investment income	42,849
Miscellaneous	<u>2,020</u>
Total non-operating revenues	<u>1,176,091</u>
Change in Net Assets	(157,129)
Net Assets - October 1, 2005	<u>2,191,290</u>
Net Assets - September 30, 2006	<u><u>\$ 2,034,161</u></u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR YEAR ENDED SEPTEMBER 30, 2006

Cash flows from operating activities	
Cash receipts from operations	\$ 235,067
Cash payments for supplies and services	(287,992)
Cash payments for employee services and fringes	<u>(1,036,254)</u>
Net cash provided (used) by operating activities	<u>(1,089,179)</u>
Cash flows from noncapital financing activities	
Property taxes	366,720
Federal operating grants	237,709
State operating grants	<u>582,864</u>
Net cash provided (used) by noncapital financing activities	<u>1,187,293</u>
Cash flows from capital and related financing activities	
Federal/State capital grants	45,676
Purchase of fixed assets	<u>(20,415)</u>
Net cash provided (used) by capital and related financing activities	<u>25,261</u>
Cash flows from investing activities	
Purchase of investments	(15,714)
Investment income	39,231
Collection on Accounts receivable - other	2,550
Miscellaneous income	<u>30</u>
Net cash provided (used) in financing activities	<u>26,097</u>
Net increase (decrease) in cash and cash equivalents	149,472
Cash and Cash Equivalents - October 1, 2005	<u>788,701</u>
Cash and Cash Equivalents - September 30, 2006	<u><u>\$ 938,173</u></u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND (CONTINUED)
FOR YEAR ENDED SEPTEMBER 30, 2006

Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	<u>\$(1,333,219)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	210,439
Decrease (increase) in accounts receivable	6,300
Decrease (increase) in inventories	(1,179)
Decrease (increase) in prepaid expenses	1,837
Increase (decrease) in accounts payable	23,739
Increase (decrease) in accrued liabilities	3,991
Increase (decrease) in deferred revenue	(195)
Legal fees added to judgement account receivable other	<u>(892)</u>
Total adjustments	<u>244,040</u>
Net cash provided (used) by operating activities	<u><u>\$(1,089,179)</u></u>

The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
SEPTEMBER 30, 2006

Assets

Investments	<u>\$ 6,313</u>
Total Assets	<u>6,313</u>

Net Assets

Held in trust for Pension benefits	<u><u>\$ 6,313</u></u>
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The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
FOR YEAR ENDED SEPTEMBER 30, 2006

Additions

Interest and investment income	\$ 240
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Total Additions	<u>240</u>
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Deductions

Administrative fees	<u>36</u>
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Total Deductions	<u>36</u>
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Change in Net Assets	204
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Net Assets - October 1, 2005	<u>6,109</u>
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Net Assets - September 30, 2006	<u><u>\$ 6,313</u></u>
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The accompanying notes are an integral part of these financial statements.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE A - GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DESCRIPTION OF OPERATIONS AND FUND TYPE

The Authority was organized in 1982, as successor to the Crawford County Public Transit. In 1998 The Authority reorganized under Act 196 of 1986 of the Public Acts of the State of Michigan. The Authority is a separate legal and administrative unit of government. The purpose of the Authority is to provide public transportation services to the general public within Crawford County.

Fund financial statements are provided for enterprise and fiduciary funds.

The Authority Operations Fund is classified as an Enterprise Fund to conform to management requirements and State regulations. An Enterprise Fund is used to report operations that provide services which are financed by user charges, of activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Enterprise Funds use the accrual basis of accounting.

The Pension Trust Fund accounts for assets, liabilities and financial transactions of the Crawford County Transportation Authority Defined Contribution Pension Trust Fund. The Authority is the Trustee of the Plan which covers substantially all of its employees with two years seniority. The Pension Trust Fund uses the accrual basis of accounting. The Assets of the Authority's investment in the Municipal Employees Retirement System of Michigan (MERS) are not included in these financial statements

The following is a summary of the significant accounting policies of the Authority:

INVENTORY - Inventories of fuel, lubricants, tires, tubes and vehicle parts are recorded at cost, less estimated allowances for obsolescence, and are expended using the cost method. Obsolete inventory has been marked-down to its estimated market value. Inventories of office supplies and other similar items are recorded as an expenditure at the time of purchase.

FIXED ASSETS AND DEPRECIATION - Fixed assets acquired prior to 1982 are stated at salvage value. All other fixed assets are stated at cost. Fixed assets purchased with moneys furnished by the State and the U.S. Department of Transportation are secured by the State. These assets are, at the State's option, either returned to the State or otherwise disposed when retired. Depreciable fixed assets are depreciated over the estimated useful life of the assets on the straight-line method.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES - All compensated absences are recorded as an expense and a liability as they are earned.

CONTRIBUTED CAPITAL - Prior to October 1, 2000, proceeds received from the State and the U.S. Department of Transportation, in accordance with contracts to purchase fixed assets were credited to Contributed Capital and were not recorded as revenue. Depreciation of fixed assets purchased with these funds is charged against Contributed Capital.

PROPERTY TAXES - Property taxes are levied as of December 1 of each year and are due by the last day of the following February. The taxes are collected by the local units of government within the County and are periodically remitted to the Authority through the County during the collection period. The taxes are recognized as revenue in the year in which payment is due.

STATE AND FEDERAL OPERATING ASSISTANCE - Revenues from State and Federal operating assistance programs are recognized when earned rather than when received. Earned revenues from these sources are computed using the approved cost allocation principles and guidelines approved by the Michigan Department of Transportation.

COST ALLOCATIONS - The following are the major cost allocations used by the Authority and which have been approved by the State:

Building depreciation and utilities costs are allocated among operations, maintenance and administration based on the square footage utilized by each function.

Maintenance of Third-Party Vehicles - Expenses related to charges for maintenance of third-party vehicles are allocated as follows:

1. Labor and fringe costs are charged to third-party maintenance and bus maintenance based on direct maintenance hours charged to each.
2. Parts charges are based on original cost.
3. Supplies, utilities and depreciation costs are prorated between third-party maintenance and bus maintenance based on direct maintenance hours charged to each.

Charter - The charter rate is negotiated with each customer based on prior years operating expenses.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE B - CASH AND INVESTMENTS

Cash deposits are held at Citizens Bank, Chemical Bank West, Huntington Bank and Fifth Third Bank, both directly and through the Crawford County Treasurer's Common Cash Account. Cash on deposit held by the Crawford County Treasurer shares FDIC insurance coverage with all other assets held by the County Treasurer. The proportionate share of FDIC insurance coverage related to the Authority's cash and certificate of deposit held by the County Treasurer has not been determined.

Operations Fund investments are in Bank One Short Term Investment Fund for governmental entities, and American Express Mutual Funds.

Pension Trust Funds listed on the balance sheet are invested in mutual funds of the ICMA R C Services, LLC.

State statute authorizes investment of funds in obligations of the U.S.; certificates of deposits and savings and checking accounts with banks, savings and loan associations of credit unions which are insured with the applicable federal agency; commercial paper within the three highest rate classifications by two rating services, maturing not later than 270 days from date, to the extent of 50% of total surplus funds; U.S. or agency repurchase agreements; bankers' acceptance of U.S. banks; and mutual funds.

Cash of the Operations Fund is stated at cost which approximates market value. Investments of the Operating fund are stated at cost. Investments of the Pension Trust Funds are stated at market value.

Deposits

Petty Cash	\$ 150
Insured - demand deposits and interest bearing accounts & certificates	356,676
Uninsured - deposits and certificates	500,931
Uninsured - (Cash with County) Common Cash	<u>80,416</u>
Total cash	<u><u>\$ 938,173</u></u>

	<u>Cost</u>	<u>Market</u>
Operations Fund Investments		
Uninsured, Uncollateralized, held by agent: Bank One Short Term Investment Fund for governmental units	\$ 320,007	\$ 320,007
American Express:		
AXP Short Duration U.S. Government Fund	60,068	49,455
Equity Value Funds	<u>40,097</u>	<u>58,785</u>
Total Operations Fund Investments	<u><u>\$ 420,172</u></u>	<u><u>\$ 428,247</u></u>
Pension Investments ICMA RC Services, LLC	<u><u>\$ 6,313</u></u>	<u><u>\$ 6,313</u></u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to local government's indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of Credit Risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE C - ACCOUNTS RECEIVABLE - OTHER

Crawford County Public Transit advanced monies to a software company for developing a dispatch computer program in 2002. The program was never completed and the money was not repaid. A judgement was obtained for \$50,000 which included all costs, attorney fees, and interest. A down payment of \$2,000 was paid at time of the judgement. Monthly payments of \$750 including interest at 5% are due until amount is fully paid.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 10/1/05	Additions	Deductions	Balance 9/30/06
Land	\$ 27,005	\$ -0-	\$ -0-	\$ 27,005
Buildings	832,258	-0-	-0-	832,258
Construction	44,625	-0-	44,625	-0-
Buses	1,198,485	-0-	-0-	1,198,485
Operations equipment	107,919	1,057	10,265	98,711
Garage equipment	139,310	1,866	668	140,508
Office equipment	24,077	13,081	4,286	32,872
Computer equipment	60,120	4,411	22,532	41,999
Totals	<u>\$ 2,433,799</u>	<u>\$ 20,415</u>	<u>\$ 82,376</u>	\$ 2,371,838
Accumulated depreciation	<u>\$ 1,584,068</u>	<u>\$ 210,439</u>	<u>\$ 37,750</u>	<u>1,756,757</u>
Net property and equipment				<u>\$ 615,081</u>

Useful lives of depreciable assets are as follows:

Buses & rehabilitations	3-10 years
Operations equipment	5-10 years
Garage equipment	3-15 years
Office equipment	3-10 years
Computer equipment	3-7 years
Building	4-20 years

NOTE E - CONTRIBUTED CAPITAL

The Contributed Capital equity account represents funds provided by the Federal Government and the State of Michigan, to the Authority, to purchase buildings, buses and equipment prior to July, 2000. Contributed capital balances as of September 30, 2000 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted or sold. Depreciation of fixed assets purchased with Contributed Capital prior to July 2000, for year ended 2006 of \$57,127 was charged against this account.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE E - CONTRIBUTED CAPITAL (CONTINUED)

Effective for fiscal years beginning after July 2000, and for all subsequent years, all State/Federal Capital Grants will be recorded as revenue on the Statement of Revenues, Expenses and Changes in Net Assets. There were \$15,050 capital grants for the year ended September 30, 2006

Contributed Capital balances as of September 30, 2000 have not been restated, and will continue to be amortized over the lives of the related fixed assets, until entirely depleted.

NOTE F - PROPERTY TAXES

In August 1988 the voters of Crawford County approved a countywide property tax levy (renewal) of up to 0.75 mill to provide for the continued operation of the Authority. Net property taxes collected for the year ended September 30, 2006 were \$366,720.

NOTE G - MONEY PURCHASE PENSION PLAN

Monies remaining in the Money Purchase Pension Plan at September 30, 2006 belong to terminated vested employee. The plan is administered by ICMA RC Services, LLC. Distributions from the funds will be made upon termination of employment or upon retirement, or on or after normal retirement age of 65. Pension assets of \$6,313, at September 30, 2006, are invested in the mutual funds of ICMA RC Services, LLC. Each participant determines the type of mutual fund in which his/her assets are invested.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTION - On August 1, 1997 the Authority Board of Directors adopted a defined benefit plan of the Michigan Employees Retirement System (MERS). MERS, an agent, multiple-employer public employee retirement system, acts as the common investment and administrative agent pursuant to State of Michigan Public Act 427 of 1984, as amended, and the Constitution of the State of Michigan. The Authority's plan provides benefits for Normal retirement, Deferred retirement, Disability retirement, Non-duty death allowance, Duty-connected death allowance, and all employees of the Authority participate. All participating employees have received prior service credit from their date of hire. There is no vesting for the first 10 years, and 100% vesting after 10 years.

Employees are eligible for retirement upon attaining the age of 50, and have completed 25 years of employment service; at age 55 with 15 years of employment service; or at age 60 with 10 years of employment service.

FUNDING POLICY - The plan's funding policy provides for mandatory employee contributions at a rate of 4.8% of regular gross wages and employer contributions of 7.8% for the last three months of 2005, 9.44% from January through September 30, 2006. Crawford County Transportation Authority made employer contributions at 10.92% for the first 4 months of the fiscal year and 12% for the last 8 months of the fiscal year. Required employer contributions are based on a percentage of compensation projected into the middle of the calendar year.

The normal cost and amortization payment were determined using the entry age normal actuarial funding method. Actuarial assumptions include (a) projected salary and wage increases of due to inflation of 4.5% and from 0.0% to 8.40% based on merit and longevity, (b) a net long-term investment yield rate of 8%, (c) 1994 Group Annuity Mortality Tables.

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over 30 years.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

ANNUAL PENSION COST - For the fiscal year ended September 30, 2006 the Authority's actual pension cost of \$61,149, was 7.8% of covered payroll for October, 2005 through December 2005, and 9.44% for January through September 2006. An additional amount of \$17,982 was paid to be applied against past service costs. Total payroll for the year ended September 30, 2006 was \$681,195.

Components of the Actuarial Accrued Liability at December 31, 2005 the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 1,120,428
Non-vested terminated employees (pending Refunds of accumulated member contributions)	82
Current employee contributions - including allocated investment income	248,712
Employer financed contributions - Including allocated investment income	<u>1,421,155</u>
Total Actuarial Accrued Liability	2,790,377
Net Assets Available for Benefits at Actuarial Value (Market Value (\$2,567,219))	<u>2,636,698</u>
Unfunded Actuarial Accrued Liability	<u>\$ 153,679</u>

For calendar year 2007 the Annual Required Contribution is \$67,260. The amortization factor used is .053632

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

NOTE H - MICHIGAN EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Trend information of Aggregate Accrued Liabilities follows:

Valuation Date	<u>2005</u>	<u>2004</u>	<u>2003</u>
Accrued Liabilities	<u>\$ 2,790,377</u>	<u>\$ 2,503,562</u>	<u>\$ 2,184,652</u>
Valuation Assets	<u>\$ 2,636,698</u>	<u>\$ 2,440,358</u>	<u>\$ 2,230,129</u>
Funded percent	<u>94</u>	<u>97</u>	<u>102</u>
Unfunded Actuarial Liability	<u>\$ 153,679</u>	<u>\$ 63,204</u>	<u>\$ (45,477)</u>
Unfunded Actuarial Liability as a Percent of Annual Payroll	<u>23</u>	<u>9</u>	<u>-0-</u>

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries as well as medical benefits provided to full-time employees. The Authority has purchased commercial insurance for medical benefits, disability, and workers' compensation; fleet, real and personal property coverage; and general liability coverage.

NOTE J - COMMITMENTS - STATE LIENS

The Authority's facility is financed with both Federal and State funds. Part of the terms and conditions of the use of Federal and State funds is the requirement that the facility continue to be used for the purposes stated in the Authority's grant application, in perpetuity. Should the facility cease to be used for its stated purpose it will either revert to the Federal government or be sold and the proceeds divided proportionate to the original investment.

Most buses and a substantial amount of the equipment of the Authority have been purchased with State and Federal Grants. The Authority, by accepting those grants have accepted the obligation to use that equipment for public transportation purposes for the life of each asset.

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Balance October 1, 2005	\$ 134,241
Deduct:	
Depreciation of assets purchased from contributed capital	<u>57,127</u>
Balance September 30, 2006	<u><u>\$ 77,114</u></u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF CAPITAL CONTRACTS
YEAR ENDED SEPTEMBER 30, 2006

Grantor: State of Michigan - Department of Transportation

Contract or Project Number	<u>Grant Amount</u>	<u>Previously Earned</u>	<u>Current Earned</u>	<u>Amount Remaining</u>
#02-0030-Z7/S2	23,078	23,013	-0-	65
#02-0030-Z7	14,716	13,894	-0-	822
#02-0030-Z8	18,750	18,267	483	-0-
#02-0030-Z10	12,500	3,968	3,720	4,812
#02-0030-Z13	10,000	-0-	2,922	7,078
#02-0030-Z16	<u>10,000</u>	<u>-0-</u>	<u>7,925</u>	<u>2,075</u>
Totals	<u>\$ 89,044</u>	<u>\$ 59,142</u>	<u>\$ 15,050</u>	<u>\$ 14,852</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY FUNCTION
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>OPERATIONS</u>	<u>MAINTENANCE</u>	<u>GENERAL ADMINIS- TRATION</u>	<u>TOTAL</u>
Operating Expenses:				
Salaries and wages	\$ 572,019	\$ 42,636	\$ 99,867	\$ 714,522
Fringe benefits	276,388	20,503	28,832	325,723
Materials and Supplies	136,274	48,570	8,494	193,338
Services	4,960	12,749	15,454	33,163
Utilities	11,718	9,794	5,513	27,025
Casualty & Liability insurance	49,531	930	2,148	52,609
Miscellaneous	1,805	-0-	3,557	5,362
Depreciation	<u>181,957</u>	<u>20,007</u>	<u>8,475</u>	<u>210,439</u>
Total Operating Expenses	<u>\$ 1,234,652</u>	<u>\$ 155,189</u>	<u>\$ 172,340</u>	<u>\$ 1,562,181</u>

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
NET ELIGIBLE COST COMPUTATIONS OF DEMAND/RESPONSE OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	FEDERAL SECTION 5311 <u>02-0030/Z14</u>	STATE OPERATING <u>ASSISTANCE</u>
Operating Expenses:		
Salaries and wages	\$ 714,522	\$ 714,522
Fringe benefits	325,723	325,723
Materials and Supplies	193,338	193,338
Services	33,163	33,163
Utilities	27,025	27,025
Casualty and Liability insurance	52,609	52,609
Miscellaneous	5,362	5,362
Depreciation	<u>210,439</u>	<u>210,439</u>
Total operating expenses	<u>1,562,181</u>	<u>1,562,181</u>
Less ineligible expenses:		
Depreciation funded by grants	179,224	179,224
Board per diem	7,500	-0-
Audit	3,700	-0-
Other disallowed	<u>236</u>	<u>236</u>
Total ineligible expenses	<u>190,660</u>	<u>179,460</u>
Net eligible expenses	<u>1,371,521</u>	<u>1,382,721</u>
Less Project revenue:		
Charter	4,407	4,407
Vehicle Revenues	<u>1,351</u>	<u>1,351</u>
Total project revenue	<u>5,758</u>	<u>5,758</u>
Eligible expenses for reimbursement	<u>\$ 1,365,763</u>	<u>\$ 1,376,963</u>
Section 5311		
Reimbursement 15.0%	<u>\$ 204,864</u>	
State operating assistance (39.25%)		<u>\$ 540,458</u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

November 1, 2006

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

As required by the Michigan Department of Transportation, schedules of mileage, vehicle hours and number of passengers transported for the twelve months ended September 30, 2006 follows. This supplemental information was not audited by me and accordingly, I do not express an opinion on it. However, I have reviewed the compilation methods for mileage and passenger data and found them reliable.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J M Anderson", is written over a light blue horizontal line.

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

MEMBER MACPA and AICPA

CRAWFORD COUNTY TRANSPORTATION AUTHORITY
MILEAGE, VEHICLE HOURS AND PASSENGERS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2006

Month ended	MILEAGE	VEHICLE HOURS	PASSENGERS	
			REGULAR	SENIOR CITIZEN
2005				
October	45,917	2,141	6,716	615
November	46,461	2,171	6,202	639
December	44,467	2,173	5,852	723
2006				
January	42,434	2,105	6,435	649
February	39,037	1,912	6,445	586
March	47,275	2,313	8,013	702
April	39,483	1,876	5,641	706
May	49,467	2,293	8,251	733
June	42,539	2,050	4,940	733
July	39,509	1,892	5,944	942
August	43,228	2,165	4,411	1,030
September	<u>39,690</u>	<u>1,975</u>	<u>5,615</u>	<u>929</u>
Totals	<u><u>519,507</u></u>	<u><u>25,066</u></u>	<u><u>74,465</u></u>	<u><u>8,987</u></u>

<u>HANDICAPPED</u>	<u>SENIOR/ HANDICAP</u>	<u>TOTAL</u>
1,473	429	9,233
1,465	434	8,740
1,420	384	8,379
1,482	354	8,920
1,432	340	8,803
1,605	393	10,713
1,280	318	7,945
1,458	466	10,908
1,318	434	7,425
1,120	421	8,427
1,407	505	7,353
<u>1,399</u>	<u>352</u>	<u>8,295</u>
<u><u>16,859</u></u>	<u><u>4,830</u></u>	<u><u>105,141</u></u>



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 1, 2006

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

Dear Board:

I have audited the accompanying financial statements of the Crawford County Transportation Authority for the year ended September 30, 2006, and issued my report thereon dated November 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Crawford County Transportation Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

MEMBER MACPA and AICPA

Segregation of Duties

The idea of segregation of duties is that two or more persons are part of a process, such as cash disbursements, so that if a mistake is made by one, it will become apparent to another within a reasonable time period.

Currently, the Authority has one person in the bookkeeping staff who is responsible for writing cash receipts received by mail, writing checks, recording cash receipts, cash disbursements, payroll, bank transfers and adjusting journal entries as well as preparing bank reconciliations.

Monthly financial statements, conveyance of bank transfers and cash receipts deposits, and signing of checks are done by Management personnel or the Board of Directors.

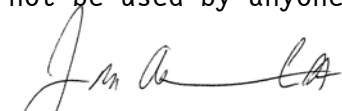
With the limited bookkeeping staff, the Authority has an inherent weakness in the internal controls related to the bookkeeping functions. Segregation of these duties should be made on a practical basis.

A material weakness is a condition reportable in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crawford County Transportation Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could not have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the audit committee, management, the Board of Directors, and the State of Michigan, and is not intended to be, and should not be used by anyone other than these specified parties.



JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

CRAWFORD COUNTY TRANSPORTATION AUTHORITY

REPORT TO MANAGEMENT

SEPTEMBER 30, 2006



James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 255 • Roscommon, MI 48653

Phone: (989) 563-2450 • Fax: (989) 563-3471 • E-mail: jma@m33access.com

November 1, 2006

Board of Directors
Crawford County Transportation Authority
4276 W. North Down River Road
Grayling, Michigan 49738

In planning and performing my audit of the financial statements of the Crawford County Transportation Authority, as of and for the year ended September 30, 2006, I considered the Authority's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Authority and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated November 1, 2006, on the financial statements of the Crawford County Transportation Authority.

I have already discussed these comments and suggestions with the Authority's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in dark ink, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANT

COMMENTS AND RECOMMENDATIONS

Payroll

Payroll is processed using a time card print out. I recommend that this be initialed or signed by the Director to reflect a formal approval of the time being entered for payment.

Mileage Reimbursement

The Director currently receives a monthly mileage allowance of \$200. Under the IRS tax code, a non accountable reimbursement for mileage is subject to payroll taxes and should be included in the employee's taxable wages. I recommend that the Director submit a voucher for reimbursement based on actual costs which would be treated as a non-taxable reimbursement or include the payment in her taxable wages.

PER DIEM

The Board of Directors has been receiving a per diem for the monthly meetings which has been treated as contracted payments. The IRS has deemed these payments as payroll and subject to payroll taxes. I recommend the Board consider including the per diem in the Transit's payroll effective January 1, 2007.